June 10, 2019

Best Week in Seven Months

June 3-7, 2019 Recap

- **Equities Rebound.** U.S. stocks posted solid gains Friday to cap their best week since November, as investors speculate the weaker-than-expected May jobs report may boost chances that the Fed might cut interest rates. The U.S. added just 75,000 jobs last month, well below expectations for 175,000. The unemployment rate held steady near a 50-year low at 3.6%, and while job growth slowed, labor demand remains strong.

- **Weekly Performance.** For the week, the Dow Industrials surged 4.71%, its first weekly gain since April 19. The S&P 500 advanced 4.46%, climbing to its highest level in three weeks and the tech-heavy Nasdaq Composite rebounded by 3.91%.

- **Powell Drops Patient View.** Stocks have surged since Federal Reserve Chairman Powell said on Tuesday that the central bank would "act as appropriate to sustain the expansion." The phrasing suggests a possible rate cut ahead as a backstop to weakening economic data and uncertainty over trade.

- **Materials Performed Best.** All 11 major sector groups ended positive last week, led by Materials (+9.16%), Technology (+5.99%) and Consumer Staples (+5.26%). Communication Services (+0.93%), Real Estate (+2.65%) and Utilities (+3.05%) rose the least.

- **Treasury Yields Retreat.** Treasury prices rose last week, sending the two-year yield down 7.3 basis points to 1.851% and the 10-year yield dropped 4.2 basis points to end the week at 2.083%. The U.S. Dollar Index declined a fourth day last week, retreating by 1.23%. WTI crude oil rose nearly 1% to $53.99/barrel despite oil supplies climbing to their highest level since July 2017.

What We're Reading

Labor Demand Still Near Record
https://www.marketwatch.com/story/us-hiring-trends-and-job-openings-are-still-strong-fresh-reports-on-labor-market-show-2019-06-10?mod=mw_latestnews

Prospects for a Rate Cut
https://www.marketwatch.com/story/if-fed-wants-to-inject-positive-surprise-june-interest-rate-cut-might-be-best-economist-2019-06-07

Oil Inventories Surge
https://www.reuters.com/article/us-usa-oil-eia/us-crude-stocks-surge-unexpectedly-as-oil-builds-across-the-board-eia-idUSKCN1T61SQ

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Week's Economic Calendar

Monday, June 10: Job Openings (JOLTS);

Tuesday, June 11: Mortgage Application Activity, NFIB Small Business Optimism, Producer Prices;

Wednesday, June 12: Consumer Prices, Real Hourly Earnings, Federal Budget;

Thursday, June 13: Jobless Claims, Import & Exports Prices;

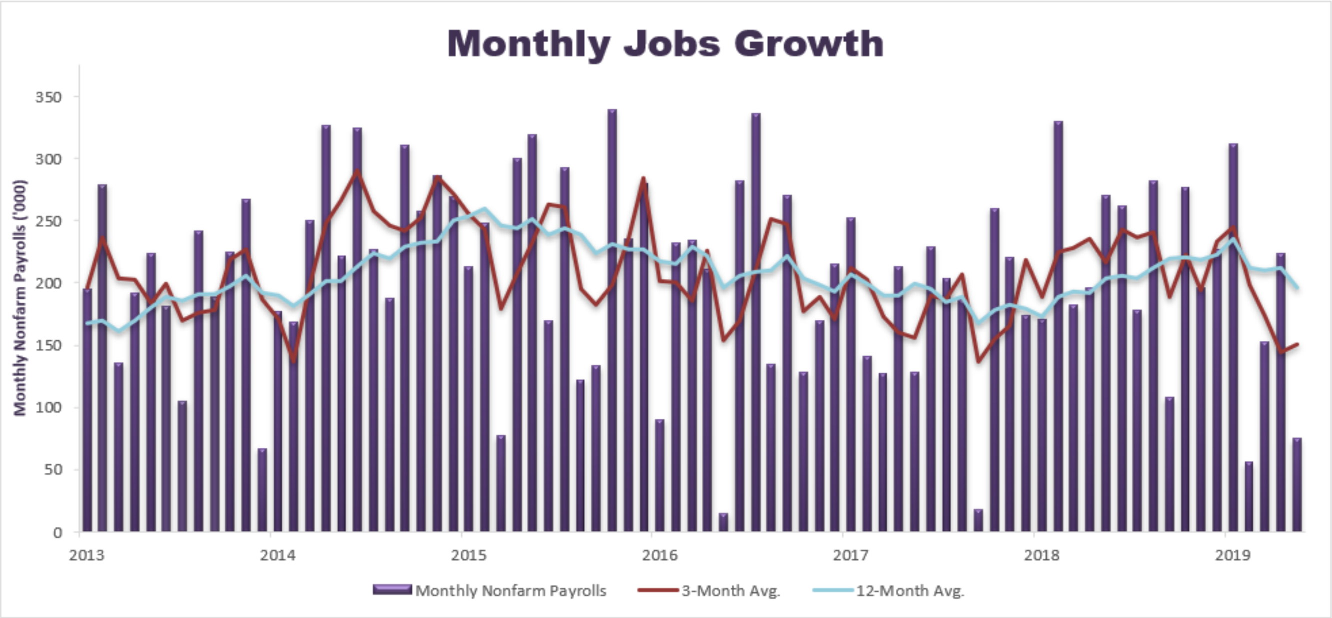
Friday, June 14: Retail Sales, Industrial Production, Consumer Sentiment, Business Inventories.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	4.71	4.71	2.00	11.39	2.94	13.16
S&P 500	4.46	4.46	5.07	15.68	5.83	13.08
NASDAQ Composite	3.91	3.91	4.61	17.26	2.51	17.30
Russell 3000	4.36	4.36	4.54	15.75	4.41	12.79
MSCI EAFE	3.23	3.23	2.37	11.12	-4.43	6.40
MSCI Emerging Markets	1.03	1.03	-2.88	5.16	-10.16	8.96
Bonds	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Barclays Agg Bond	0.36	0.36	3.70	5.17	7.38	2.41
Barclays Municipal	0.20	0.20	3.31	4.92	6.74	2.93
Barclays US Corp High Yield	0.91	0.91	2.26	8.47	5.92	7.10
Commodities	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Bloomberg Commodity	-0.67	-0.67	-3.60	1.63	-12.35	-3.06
S&P GSCI Crude Oil	0.98	0.98	-4.78	18.97	-18.08	2.29
S&P GSCI Gold	2.67	2.67	4.56	5.06	3.31	2.58

Source: Morningstar

Chart of the Week: Jobs Growth Pace Slows



Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, and U.S. Bureau of Labor Statistics. Data as of 5/31/2019.

Labor market growth slowed in May as the U.S. economy added only 75,000 jobs, below the consensus expectation of 180,000 jobs. The trend in jobs growth is beginning to ease. The fewest number of jobs were created in the first five months of the year since 2016 and the 12-month average is at its lowest level in 13 months. The labor market remains tight and the unemployment rate remained steady at a 50-year low of 3.6%. The tight labor market has kept YoY wage growth above 3% for 10 straight months.

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Glossary
*The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

*The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index*

*The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.*

*The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.*

*The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.*

*The **Bloomberg Barclays US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly*

*The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.*

*The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindicies of the Municipal Index have historical data to January 1980. In addition, several subindicies based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly*

*The **MSCI All-Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The SMCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.*

*The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.*

*The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.*

*The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.*

*The **MSCI Pacific Index** captures large and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*

*The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.*

*The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.*

*The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.*

***West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts*

*The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.*

*The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720 and has been as low as 70.698 in March 2008.*